

1972 ANNUAL REPORT



management
limited



management limited

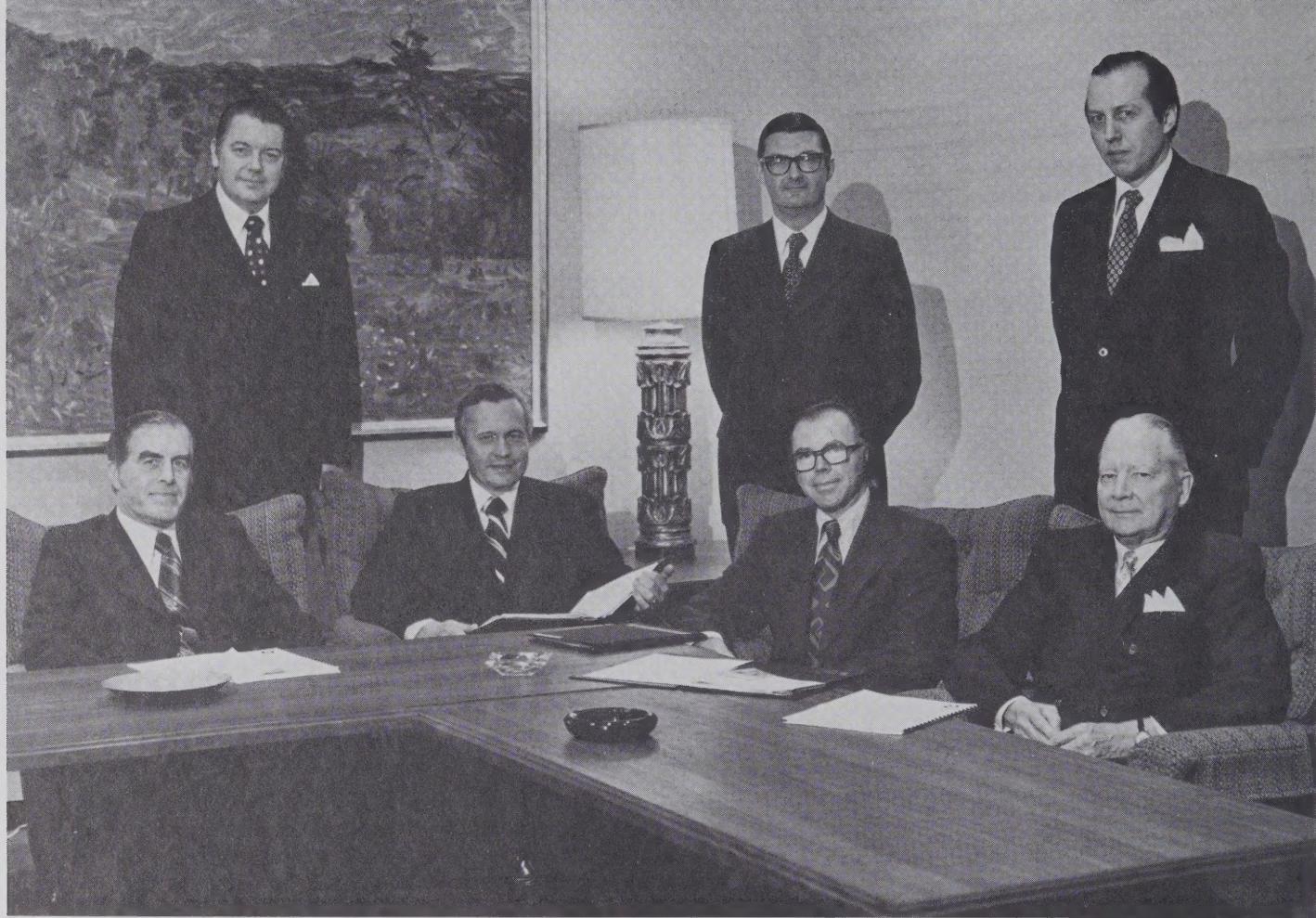
A major Canadian money management organization which supervises over \$600,000,000 of mutual fund, pension fund, corporate and individual investment monies.

and its Subsidiaries

agf Toronto Investment Management Inc.
agf Montreal Investment Management Inc.
agf Vancouver Investment Management Ltd.
AGF Securities Inc.
G.E.F. Management Limited
Canadian Security Management Limited
Corporate Investors (Marketing) Limited

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BOARD OF DIRECTORS

Seated: W.A. Manford, C.W. Goldring, G.B. Sutherland, S.J. Randall
Standing: K.J. Gray, R. Law Q.C., C.H. Otto

OFFICERS

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Executive Vice-President
C.W. Goldring

Senior Vice-President
G.B. Sutherland

Vice-President
K.J. Gray

Assistant Vice-President
W. Sametz

Secretary
D.G. Pittet

Treasurer
I.A. Shaw

Assistant Treasurer
J.E. Hall



Head Office
50th Floor, Toronto Dominion Bank Tower, Toronto

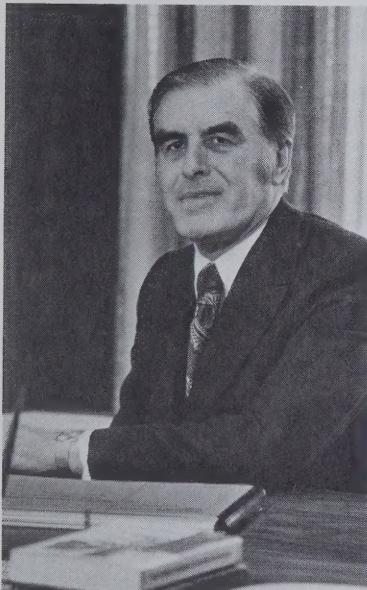
Auditors
Price Waterhouse & Co.

Registrar & Transfer Agent
Guaranty Trust Company of Canada



**management
limited**

MANAGEMENT COMMITTEE



W.A. Manford



C.W. Goldring



G.B. Sutherland



K.J. Gray

SENIOR OFFICERS OF SUBSIDIARIES

agf Toronto Investment Management Inc.
President – Gordon Macleod
Executive Vice-President – William Hutchison

agf Montreal Investment Management Inc.
President – C.H. Otto

agf Vancouver Investment Management Ltd.
President – Peter Cundill

AGF Securities Inc.
President – Thomas Lailey

SENIOR PORTFOLIO MANAGERS

W.D. Cameron
American Growth Fund Limited
W.R. Farquharson
Growth Equity Fund Limited
E.A. Walker
Canadian Gas and Energy Fund Ltd.
R. Whiting
AGF Special Fund Limited
G.D. Linklater
Computer Analyst
N. Rutland
agf Toronto Investment Management Inc.
W.J. Smith
agf Toronto Investment Management Inc.
D.C. Marriott
agf Toronto Investment Management Inc.
R.H. Gibson
agf Montreal Investment Management Inc.
M. Davidson
agf Montreal Investment Management Inc.



PRESIDENT'S REPORT TO SHAREHOLDERS

The past year was one of sharp recovery and growth for AGF Management Limited with earnings rising from \$387,742 or 21¢ per share in fiscal 1971 to \$954,626 or 50¢ per share for 1972.

All major divisions of our business registered gains with revenues from management and investment counsel fees, sales commissions and AGF Securities Inc., all sharing in the rise. Working capital also increased from \$1,564,709 to \$2,156,733.

Of even more importance to the long-term growth of the Company were the major ~~acquisitions accom-~~ ~~plished~~ during the past six months ~~which~~ virtually doubled the ~~Company's~~ assets under management.

The first of these transactions was the agreement to purchase from The Toronto-Dominion Bank and Loomis, Sayles & Company Incorporated, Boston, the ~~investment counsel business of Loomis, Sayles & Company (Canada) Limited and the shares of Corporate Investors (Marketing) Limited, manager and distributor of Corporate Investors Limited and Corporate investors Stock Fund Limited.~~

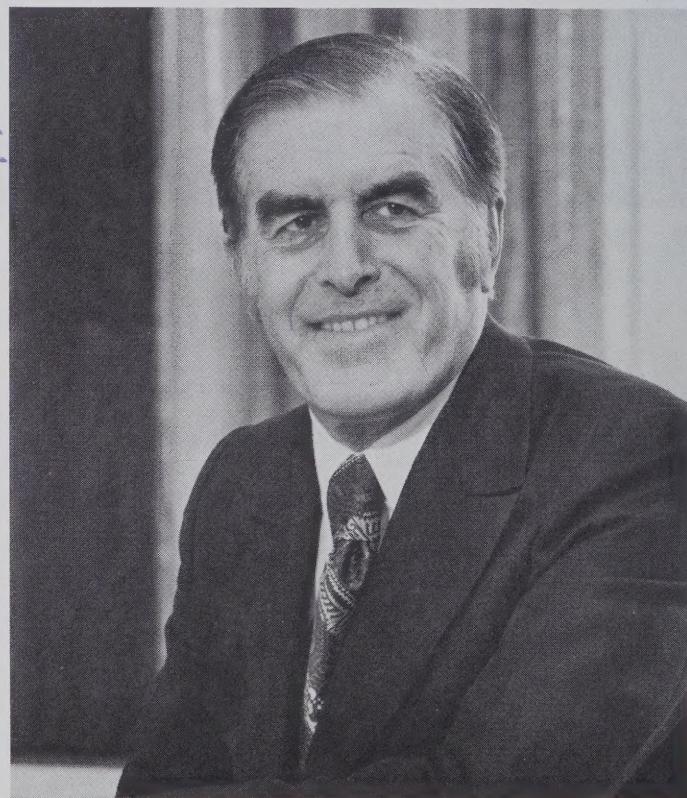
The second acquisition subsequent to our fiscal year end was the purchase from Gairdner and Company Limited of all the voting common shares of ~~Canadian Security Management Limited, manager and distributor of Canadian Gas and Energy Fund Ltd., Canadian Security Growth Fund Ltd. and CSM Japan Fund Ltd.~~ We are currently preparing an offer to the holders of CSM Class A shares and CSM warrants to purchase their shares and warrants in exchange for AGF Class B shares and AGF warrants on a 7 for 1 basis.

After giving effect to these acquisitions, assets under the Company's management now total over \$600,000,000, comprising one of Canada's largest investment counsel operations and the country's second largest mutual fund organization. It is our intention to further round out this major asset management business with potential new operations in Canada, the United States and Japan.

Our own investment and administration specialists together with those gained through our acquisition program are the true assets of our business and in the pages which follow we present a brief summary of our money management functions and the senior people who contribute to their successful operation.

For 1973 we feel that economic and stock market trends should be generally favorable to our business and we look forward with confidence to further growth in the years ahead.

Submitted on behalf of the board of directors.



A handwritten signature in black ink, appearing to read "W.A. Manford".

W.A. Manford,
President.



THE MODERN ECONOMY ITS PROBLEMS – ITS OPPORTUNITIES & THE NEED FOR MONEY MANAGEMENT

The acquisitions made last year give your company a fully-rounded capability in the asset management business, where there is a rapidly growing need and demand for our services. The causes of this growth can be found in a variety of economic, social and political trends.

The raw material for your company's activities is provided by the accumulation of portfolio assets in private and public hands. The mixture of capitalism and socialism which characterizes the industrial nations of the west, is a prolific generator of monetary capital. Economic expansion, population increase, rising standard of living, organized saving – these and other factors assure an expanding market for our services.

The growth in portfolio assets is accompanied by a proliferation of the ways in which they can be employed. It is no longer appropriate to think of investment as solely concerned with stocks and bonds. Investment now flows into a wider range of outlets than ever before, and added to the domestic options is an increasing variety of international securities.

Successful investment has never been easy, because the future is less than predictable. But the investor now has to think more carefully than ever about his objectives because he is surrounded by such rapid change. It used to seem that business cycle research would provide the answer to most investment questions; now economies and politics are mixed in ways which make the investor's problem extremely complex. The role of money as a store of value is in doubt because of inflation; the formation of large trade blocks threatens traditional competitive positions; international currencies are emerging from the long era of dollar domination into an as yet undefined system; the economic term "scarce resources" has taken on a new significance with the hard fact of energy shortages; technological change continues to trap the unwary.

Your company has assembled the means to provide the professional asset management skills which will be widely needed to cope with the three challenges we have mentioned: the growth of portfolio assets, the proliferation of investment outlets and the increasing complexity of investment objectives. In the pages that follow we have tried to portray some of the ingredients which help make your company one of the most highly experienced and best-qualified in our industry.

THE MONEY MANAGEMENT PROCESS



Investment Policy

Left to right: Gordon Macleod (22), Carl Otto (12), Allan Manford (32), Warren Goldring (24), and Bill Hutchison (14). (Numbers beside the names indicate the number of years experience in investment management of each).

Basic investment policy and strategy guidelines are formulated by the senior investment officers of the Company and of its investment counsel subsidiaries in conjunction with senior fund and account managers.

Highly sophisticated econometric models of both the U.S. and Canadian economies plus the opinions and judgements of other highly respected economists, financial experts and market technicians in both countries and our own in-house research and computer systems aid the committee in establishing policy.

Policy decisions are then translated by our portfolio managers and counsellors into whatever action is necessary to meet the special requirements of each fund and client portfolio.



Market Analysis

The stock market, the bond market and the mortgage market require sophisticated monitoring because each reflects a different aspect of the economy as a whole. *Above, Richard Whiting, Bill Cameron and Noel Rutland are reviewing current trends in these markets.*

Research

The research activities of AGF Management Limited involve the gathering of information in respect to general business conditions, securities markets, industries and individual companies. In addition to various outside sources, information is internally developed and research files are maintained on approximately 300 separate Canadian and 500 U.S. corporations. An equally important part of the research function is the computer-assisted processing of the information into definite investment conclusions and the transmission of these decisions into the hands of those members of the organization responsible for the day-to-day operation of client's portfolios.



In the picture above, Bob Farquharson, Ted Walker and Gordon Macleod are shown discussing current drilling activity in the Mackenzie Delta area.



Processing of Data

Sorting and analysing these large amounts of information is a job to which computers are ideally suited. We therefore make use of large capacity general-purpose computers for investment research and for client record-keeping. In addition we are taking advantage of the increasingly wide range of special-purpose equipment which is now available, thanks to ever-improving technology. Illustrated is a flat bed plotter which is operated by a specialized economic data bank stored on tape cassettes.

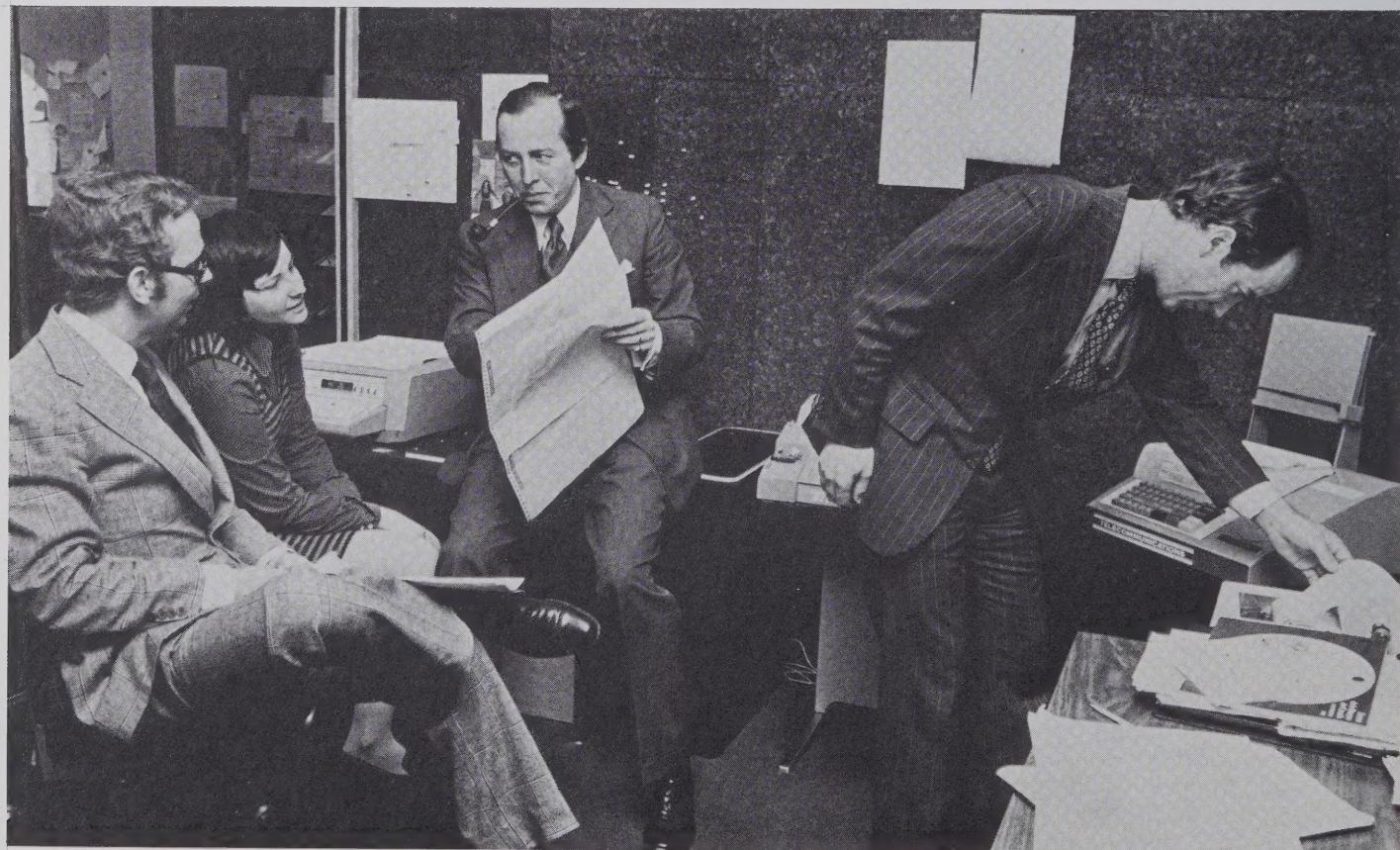
Bill Hutchison and Gord Linklater operating the Flat-Bed Plotter.



Decision Making

The huge volume of information which started with a survey of the economy and the financial markets, scrutiny of the financial statements of hundreds of companies, the facts, ratios and trends worked out by computers added to the psychological factors which affect the marketplace, all come down to a single final decision — to buy or sell in accordance with the requirements of the individual funds or accounts.

The picture below illustrates the decision making process in agf Montreal Investment Management Inc., with Bob Gibson, Susan Blanchard, Carl Otto and Michael Burpee discussing a solution to a particular problem.



ADMINISTRATION AND COMMUNICATIONS

Another key factor in the money management process is the provision of complementary administrative expertise and services to all clients. The Company has continued to increase and expand its capabilities in this area in order to accommodate a continually changing client service demand and to provide complete and timely information to all regulatory and government agencies. The goal at all times is efficient and accurate communication.

To process and control the substantial data handled by administrative services, the Company uses the latest techniques of computer processing, modern data retention and records management systems as well as telephone and teletype networks.

Final success is dependent on good people. The Company prides itself on its record of accomplishment made possible by the quality of our staff members.



Financial & Legal Meeting

Walter Weninger, Ian Shaw, John Hall, Doug Pittet



Administration Meeting

Fletcher Keating, Gail Sims, Eric Paterson, Vic Butler



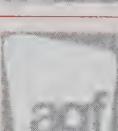
Client Service & Communication

Barbara Evans, John Elder, Martha White



*Computerized Word processing in operation
Operator – Audrey Shaw*

The Company offers the most exciting and most complete range of Mutual Funds in Canada. They are designed to fill every investment need under varying economic and stock market conditions.

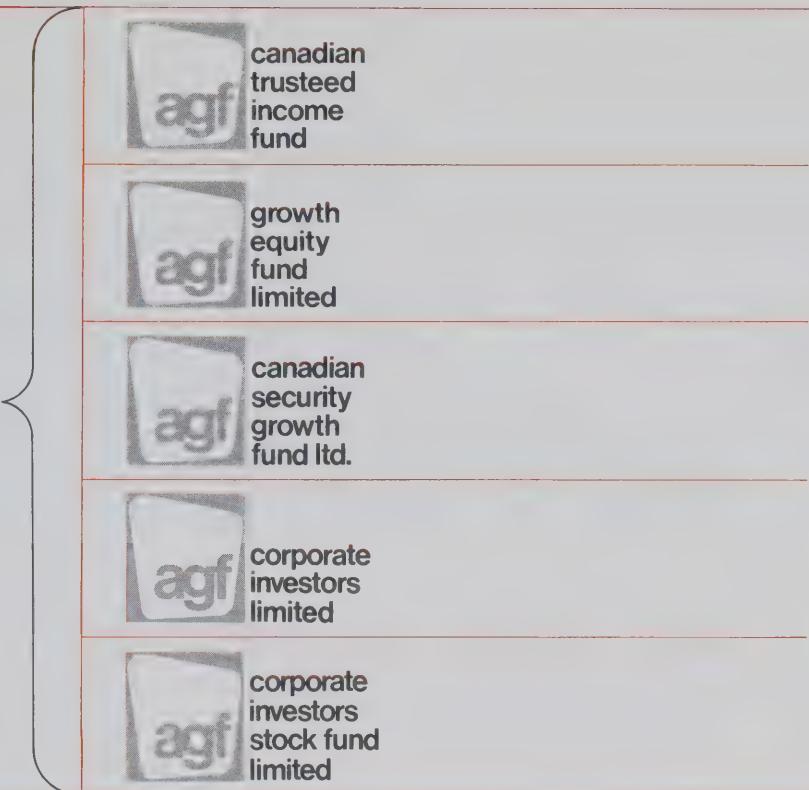
High Income & Stability of Capital	 canadian trusted income fund	A high quality bond fund with some holdings of "blue chip", preferred and common stock. The current distribution rate is 8% per annum.
Balanced Investment	 corporate investors limited	One of Canada's oldest funds, offering a balance of stability, income and growth between stocks and bonds as warranted by market conditions.
Conservative Growth and Income	 canadian security growth fund ltd.	One of the few mutual funds that meets the criteria established by the Provincial Pension Benefits Acts, and the Canadian and British Insurance Companies.
Conservative Growth and Income	 corporate investors stock fund limited	A conservative growth and income fund with a portfolio of U.S. and Canadian Stocks, varying as market conditions appear to warrant.
Capital Growth U.S.A.	 american growth fund limited	A dynamic Canadian Mutual Fund providing long term capital growth through investment in the major growth industries and companies of the United States, including many not available in Canadian markets.
Capital Growth Canada	 growth equity fund limited	This fund offers shareholder participation in growth securities in the Canadian market, ranging from 'Blue Chip' issues to medium size equities with an entrepreneurial flair.
Capital Growth Japan	 csm japan fund ltd.	This fund allows both private and institutional investors to participate in the dynamic growth of the Japanese economy through the Tokyo Stock Market.
Capital Growth Oil & Gas	 canadian gas and energy fund ltd.	This twelve year old fund offers shareholders a sound and convenient way to invest in the oil, gas and mineral industries in Canada and abroad.
Speculative Growth	 agf special fund limited	Invests in the securities of emerging growth companies in Canada and the United States, which appear to offer the potential for above average capital gains.

TAX SAVING PROGRAMS

* **For Individuals** – the Funds opposite are government approved for Registered Retirement Savings Plans. Investors can deposit up to \$4000 annually and deduct this entire amount to arrive at their taxable income.

* **For Corporate Employees**

Through its Group Sales Division, the Company markets various types of Thrift and Deferred Profit Sharing Plans to corporations and their employees. Under the tax shelter plan, employee/employer contributions up to a maximum of \$6500 for each individual employee can be claimed as a deduction to arrive at taxable income. The personnel of this division work closely with actuarial and employee benefit firms in order that the plans can be tailored to the requirements of each individual company.



DISTRIBUTION

The AGF GROUP OF FUNDS are distributed through a coast to coast network of stock brokers, investment dealers and the Company's own 250-man sales force.

Below, senior marketing executives, Bruce Sutherland and Ken Gray are discussing the Company's promotional programs.



INVESTMENT COUNSEL OPERATIONS

The investment counsel activities of the Company are carried on by three regionally diversified firms:

agf Toronto Investment Management Inc.
agf Montreal Investment Management Inc.
agf Vancouver Investment Management Ltd.

One of the most challenging aspects of asset management is the management of pension funds which is the main investment counsel activity in each office. Increasing employee pensions plus higher costs are leading many companies to the conclusion that vigorous, effective management of pension fund assets is essential. To achieve the difficult goal of maximum return on assets, consideration must be given to stocks, bonds, and mortgages on the basis of their suitability. In addition to pension funds, the investment counsel companies also manage institutional funds and the assets of individuals.

A unique strength of the Company's investment counsel activities is the fact that it is the only asset management company in Canada with offices in Montreal, Toronto and Vancouver. The personnel in each office are of the highest quality in terms of professional

attributes, and this geographical diversification enables each company to obtain local information which, particularly in the natural resource field, is so vital to successful operations. By means of these three offices, as well as the long experience of the key people in the asset management field, AGF has developed a network of knowledgeable experts who can be called upon whenever appropriate in the event, for example, of a natural resource development. These experts comprise people within the investment industry, independent consulting geologists, petroleum engineers, as well as successful operating people in their respective areas.

A second unique strength is its employment of computer capability for economic, industry and company analysis, stock selection, appraisals and measurements of rate of return. Only a major company in the asset management field can afford the very substantial commitment to computers and to the people trained to utilize them.

The outlook is for considerable growth in this business not only because of the internal growth of the accounts presently under management, but also many companies are turning to asset management companies with a record of good performance and sophisticated techniques in order to attain their investment objectives.



INTERNATIONAL OPERATIONS



United States

AGF Securities Inc., a member of the Pacific Coast Stock Exchange, is active as a broker and also as a specialist on the floor of the Exchange. Where Fund transactions are transacted through the facilities of AGF Securities Inc. on the Pacific Coast Stock Exchange, the profit is returned to the Fund's Shareholders by reducing the management fee.

It is increasingly important for asset managers to play a role in controlling transactions because very considerable amounts of money can be saved through prompt, effective executions at minimal cost, not only on the stock exchange but also through third and fourth market transactions.



*Tom Lailey, president
AGF Securities Inc.*



Japan

The selection and supervision of securities for our CSM Japan Fund is carried out by the Nomura Research Institute in Tokyo, Japan. Nomura employs 170 highly skilled research specialists in industry, economics, engineering and life sciences. The Company also exercises investment policy supervision.



Europe

The Company maintains a liaison office in Frankfurt A/M, West Germany for the distribution of its Funds through dealers and banks.



management limited

and its subsidiaries,

CONSOLIDATED BALANCE SHEET

Assets

Current assets

Cash and term deposits	\$ 2,567,675	\$ 1,815,430
Cash held in trust	436,989	20,738
Receivable for sales of mutual fund shares	1,223,034	9,525,033
Receivable for securities transactions	2,356,203	353,396
Other accounts receivable	199,504	134,898
Trading account securities — long, at market	310,007	22,387
Marketable securities, at lower of cost and written down value (market value \$259,568; 1971 — \$139,976)	257,561	140,654
Prepaid expenses	65,180	45,594
	<hr/>	<hr/>
	7,416,153	12,058,130
Office furnishings, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$282,023 (1971 — \$228,222)	188,958	193,703
Other assets, at cost	192,720	168,974
Excess of cost of shares of subsidiary companies over book value at dates of acquisition	427,748	139,487

Auditors' Report

To the Shareholders of A.G.E. Management Limited:

We have examined the consolidated balance sheet of A.G.F. Management Limited and its subsidiaries as at November 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Liabilities and Shareholders' Equity

	November 30	
	1972	1971
Current liabilities		
Bank loan secured by trading account securities	\$ 100,432	\$ —
Payable for purchases of mutual fund shares	1,630,266	9,496,111
Payable for securities transactions	2,329,633	316,719
Trading account securities — short, at market	15,695	74,879
Accounts payable and accrued liabilities	601,372	485,706
Income taxes payable	563,297	101,946
Deferred income taxes	18,725	18,060
	<hr/> 5,259,420	<hr/> 10,493,421
Deferred income taxes	8,000	6,140
Interest of minority shareholders in net assets of subsidiaries	45,398	27,534
7½% convertible debentures (Note 2)	375,000	—
	<hr/>	<hr/>
Shareholders' Equity		
Capital stock (Notes 2, 3, 4 and 9)		
Authorized —		
2,700,000 Class B non-voting participating preference shares without par value		
240,000 common shares without par value		
Issued and outstanding —		
1,858,923 Class B shares (1971 — 1,855,773 shares)	614,551	603,551
2,400 common shares	40	40
	<hr/> 614,591	<hr/> 603,591
Retained earnings (Notes 4 and 9)	1,923,170	1,429,608
	<hr/> 2,537,761	<hr/> 2,033,199
	<hr/> \$ 8,225,579	<hr/> \$12,560,294

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 12, 1973

Price Waterhouse & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

	Year ended November 30	
	1972	1971
Revenue		
Commissions	\$ 3,201,395	\$ 2,488,810
Management and investment counsel fees	2,412,729	1,578,938
Stock exchange specialist operations	122,320	(46,962)
Administration fees and other revenue	427,150	483,233
	6,163,594	4,504,019
Expenses		
Commissions	1,693,664	1,212,180
Selling, general and administrative	2,528,450	2,469,196
Interest on debentures	11,335	—
Depreciation and amortization	36,739	38,937
	4,270,188	3,720,313
Net income before income taxes and interest of minority shareholders	1,893,406	783,706
Provision for income taxes		
Current	913,223	386,591
Deferred	2,525	—
	915,748	386,591
	977,658	397,115
Interest of minority shareholders in earnings of subsidiaries	23,032	9,373
Net income for the year	\$ 954,626	\$ 387,742
Earnings per share	51¢	21¢
Fully diluted earnings per share (Note 9)	50¢	21¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended November 30	
	1972	1971
Retained earnings at beginning of year	\$ 1,429,608	\$ 1,434,268
Net income for the year	954,626	387,742
	2,384,234	1,822,010
Deduct (Notes 4 and 5)		
Dividends paid – 14¢ per share (1971 – 7¢ per share)	260,557	130,072
Taxes paid to create tax-paid undistributed surplus under the Income Tax Act	70,435	39,349
Dividend of 1,858,173 Class A preference shares (7¢ par value) paid out of tax-paid undistributed income [1971 – 1,858,173 Class A preference shares (12¢ par value)]	130,072	222,981
	461,064	392,402
Retained earnings at end of year	\$ 1,923,170	\$ 1,429,608

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended November 30	
	1972	1971
Funds provided		
From operations –		
Net income for the year	\$ 954,626	\$ 387,742
Add (Deduct) Charges (Credits) not affecting working capital		
Depreciation and amortization	36,739	38,937
Deferred income taxes	1,860	(3,660)
	<u>993,225</u>	<u>423,019</u>
Issue of debentures	375,000	—
Issue of Class B shares	11,000	5,400
Increase in interest of minority shareholders in net assets of subsidiaries	<u>17,864</u>	<u>5,647</u>
	<u>1,397,089</u>	<u>434,066</u>
Funds applied		
Purchase of office furnishings, equipment and leasehold		
improvements	31,994	22,290
Increase in cost of shares of subsidiaries over book value at dates		
of acquisition (Note 1)	288,261	565
Increase (reduction) in other assets	<u>23,746</u>	<u>(83,630)</u>
Dividends –		
Cash	260,557	130,072
Class A shares subsequently redeemed for cash	130,072	222,981
Taxes paid to create tax-paid undistributed surplus under the		
Income Tax Act	<u>70,435</u>	<u>39,349</u>
	<u>805,065</u>	<u>331,627</u>
Increase in working capital during the year	<u>592,024</u>	<u>102,439</u>
Working capital at end of year	<u>\$ 2,156,733</u>	<u>\$ 1,564,709</u>



management limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30th, 1972

Note 1

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Acquisition of Corporate Investors (Marketing) Limited

Effective October 31, 1972, the Company purchased all of the outstanding shares of Corporate Investors (Marketing) Limited, a Company engaged in the management and distribution of two mutual funds, Corporate Investors Limited and Corporate Investors Stock Fund Limited which had assets totalling approximately \$22,000,000 at November 30, 1972. This acquisition has been accounted for as a purchase. The details are set out below:

Book Value of net assets acquired at October 31, 1972	\$ 41,739
Excess of cost of investment over net assets	288,261
Cash purchase price	<u>\$330,000</u>

The excess of cost of investment over net assets is deemed to have continuing value and is included as an asset of the Company.

The result of this subsidiary's operations since acquisition have been included in the consolidated financial statements.

Foreign Currency

The records of AGF Securities, Inc., a New York corporation, are maintained in U.S. dollars. The accounts have been translated into Canadian dollars for inclusion in the consolidated financial statements as follows: assets and liabilities at the rate of exchange in effect at November 30th, except fixed assets which are at rates in effect when acquired; income and expenses at average rates of exchange during the year, except depreciation and amortization which are calculated on the Canadian dollar cost of the related fixed assets. Unrealized losses on translation, which are not material, have been included in the consolidated statement of income.

Note 2

7½% Unsecured Convertible Debenture Due June 30, 1977

During the year the Company issued \$375,000 of 7½% unsecured convertible debentures maturing June 30, 1977 to certain employees (including \$331,250 to officers and/or shareholders). These debentures are convertible into Class B shares of the Company at the rate of 1 share for each \$5 of debenture principal. Holders have the right to convert 20% of the principal amount each year on a cumulative basis.

Note 3

Stock Options, Class B Non-voting Preference Shares

As at November 30, 1972 options to purchase 45,300 shares were outstanding at prices of \$3.40 and \$3.60 per share, including options for 28,600 shares granted to directors and officers. During the year ended November 30, 1972, options on 3,150 shares were exercised for a total cash consideration of \$11,000, options for 15,450 shares were terminated and options on 16,000 shares at \$3.40 per share were granted.

Note 4

Stock Dividend

By supplementary letters patent dated December 21, 1971, the authorized capital was increased by the creation of 1,858,173 3% non-cumulative redeemable non-voting Class A preference shares with a par value of 7¢ each.

On December 22, 1971 the Company declared out of tax-paid undistributed income a stock dividend of 1,858,173 Class A preference shares on the outstanding Class B and common shares recorded as at December 29, 1971, such shares being allotted at the rate of one such Class A share for each Class B and common share held. Taxes of \$22,954 were paid to create the tax paid undistributed income required.

On December 31, 1971 the Company redeemed at their par value all of the Class A shares outstanding at that date resulting in a payment of \$130,072.

This payment represented a distribution to shareholders of a portion of the Company's prior years' earnings.

Note 5

Dividend paid from tax-paid undistributed surplus on hand

On July 7, 1972 the Company paid a dividend out of tax-paid undistributed surplus on hand of 14¢ per share to the holders of outstanding Class B and common shares of the Company. Taxes of \$47,481 were paid to create the tax-paid undistributed surplus required.

Note 6

Remuneration of Directors and Senior Officers

During the year ended November 30, 1972 a total of thirteen directors and senior officers received direct remuneration totalling \$273,442 as compared with \$208,694 for ten directors and senior officers during the prior year.

Note 7

Long Term Leases

The Company jointly with another company, has leased premises at an annual rental of approximately \$207,000 for a period which terminates January 31, 1988. Other long term leases for varying periods of over two years require annual rental payments of approximately \$54,000.

Note 8

Pension Liability

As at November 30, 1972 the Company had an unfunded pension liability of \$83,306 which is being funded by annual payments of \$6,809 to 1989.

Note 9

Events subsequent to November 30, 1972

Acquisition of Canadian Security Management Limited

On December 8, 1972, the Company acquired all of the outstanding common shares of Canadian Security Management Limited, a firm engaged in the management and distribution of mutual funds, including Canadian Security Growth Fund Limited, Canadian Gas and Energy Fund Limited, Canadian Gas and Energy Fund International Limited and CSM Japan Fund Limited, which had assets totalling approximately \$83,000,000 at November 30, 1972. The vendors were given warrants exercisable to December 31, 1977 to subscribe for 100,000 Class B non-voting preference shares of the Company at \$7.50 per share, which price exceeded their market price at the date of acquisition.

A condition of the Purchase Agreement is that the Company make an exchange offer for all of the Canadian Security Management Limited Class A non-voting shares and share purchase warrants. The exchange offer is to be on the basis of 1 Class B non-voting preference share of the Company for every 7 Class A shares of Canadian Security Management Limited. Warrant holders of Canadian Security Management Limited are to be offered 1 warrant to purchase 1 Class B preference share of the Company at \$7.50 until December 31, 1977, for every 7 warrants of Canadian Security Management Limited held. If this offer is accepted by the holders of all the outstanding Class A shares and warrants of Canadian Security Management Limited, the Company will issue approximately 182,000 Class B shares and 28,500 warrants.

Another condition of the Purchase Agreement is that the Company will cause Canadian Security Management Limited to redeem the \$500,000 8% Convertible Debentures outstanding at December 8, 1972 within one year of that date or, at the option of the Company enter into an indenture of guaranty with respect to the Debentures.

The calculation of fully diluted earnings per share at November 30, 1972 does not take into account any shares which may be issued under the terms of the Purchase Agreement.

Loomis, Sayles & Company (Canada) Ltd.

The Company has entered into an agreement dated October 20, 1972 to purchase all of the outstanding shares of Loomis, Sayles & Company (Canada) Ltd., an investment counselling firm. For the agreement to become effective, the vendors must fulfill certain conditions no later than September 26, 1973. Until that date or until those conditions are fulfilled, Loomis, Sayles & Company (Canada) Ltd. has retained the Company to manage its operations.

Dividend Paid from Tax-Paid Undistributed Surplus on Hand

On January 4, 1973, the Company paid a dividend out of tax-paid undistributed surplus of 20¢ per share to the holders of the outstanding Class B and common shares of the Company. Taxes of \$64,402 were paid to create the tax-paid undistributed surplus required.

agf

management limited

Earnings on the Class "B" and common shares of the Company were 19¢ per share for the first half of our fiscal year ended May 31, 1972, compared with 10¢ per share for the same period last year. The Company's interim dividend payable July 7 is 14¢ per share (tax-free) as against 7¢ per share last year.

The sharp rise in the Company's net profits was due mainly to increased assets under management as a result of rising stock markets, higher administration fees and a vigorous cost-cutting program over the past twelve months.

Assets under the Company's management totalled approximately \$350,000,000 as of May 31, 1972 as against \$300,000,000 at the same time last year. Our major Funds again performed better than the stock market averages and this performance more than offset redemptions which, as in the mutual fund industry as a whole, are proving higher than normal.

Sales volume, on the other hand, remains unsatisfactory at the present time as the small investor has returned to the stock market only in a limited way in spite of the uptrend of the past two years.

Looking to the future we anticipate rising economic activity in both Canada and the United States through 1972 and 1973 and, with it, generally favourable market trends. Thus, both assets under management and sales volume should increase together over the period ahead.

During the past year we have continued to add to our products and services to the investing public. We have formed an investment counsel subsidiary in Vancouver to complement similar operations in Toronto and Montreal. We have developed and are offering to corporation executives and employees a new payroll deduction, deferred profit sharing plan. We are seeking to purchase further mutual fund assets, and are actively examining other facets of the financial service industry.

Thus, we look forward with confidence to a continuation of the Company's growth.

Toronto, Ontario
July 1972

W.A. Manford
President

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED MAY 31, 1972
(with comparative figures for the six months ended May 31, 1971)

	MAY 31 1972	MAY 31 1971
Revenue	\$2,610,297	\$2,166,338
Expenses	1,883,979	1,780,050
Net income before income taxes	\$ 726,318	\$ 386,288
Income taxes	372,136	203,500
Net income for the period	\$ 354,182	\$ 182,788
Earnings per share	\$.19	\$.10

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED MAY 31, 1972
(with comparative figures for the six months ended May 31, 1971)

	MAY 31 1972	MAY 31 1971
FUNDS PROVIDED		
From operations —		
Net income for the period	\$ 354,182	\$ 182,788
Add depreciation and amortization expense not requiring a current outlay of funds	19,491	20,521
	373,673	203,309
Proceeds from issue of 1100 Class B Shares	10,280	
Increase in interest of minority shareholders in net assets of subsidiaries	4,029	3,580
	387,982	206,889
FUNDS APPLIED		
Purchase of office furnishings and equipment and leasehold improvements	8,999	5,645
Increase (Decrease) in other assets	1,822	(2,563)
Dividends paid	130,072	222,981
Taxes paid under Section 105(2) of the Income Tax Act (Canada)	22,954	39,350
	163,847	265,413
Increase (decrease) in working capital during the period	\$ 224,135	\$ (58,524)
Working Capital May 31st	\$1,788,844	\$1,403,746